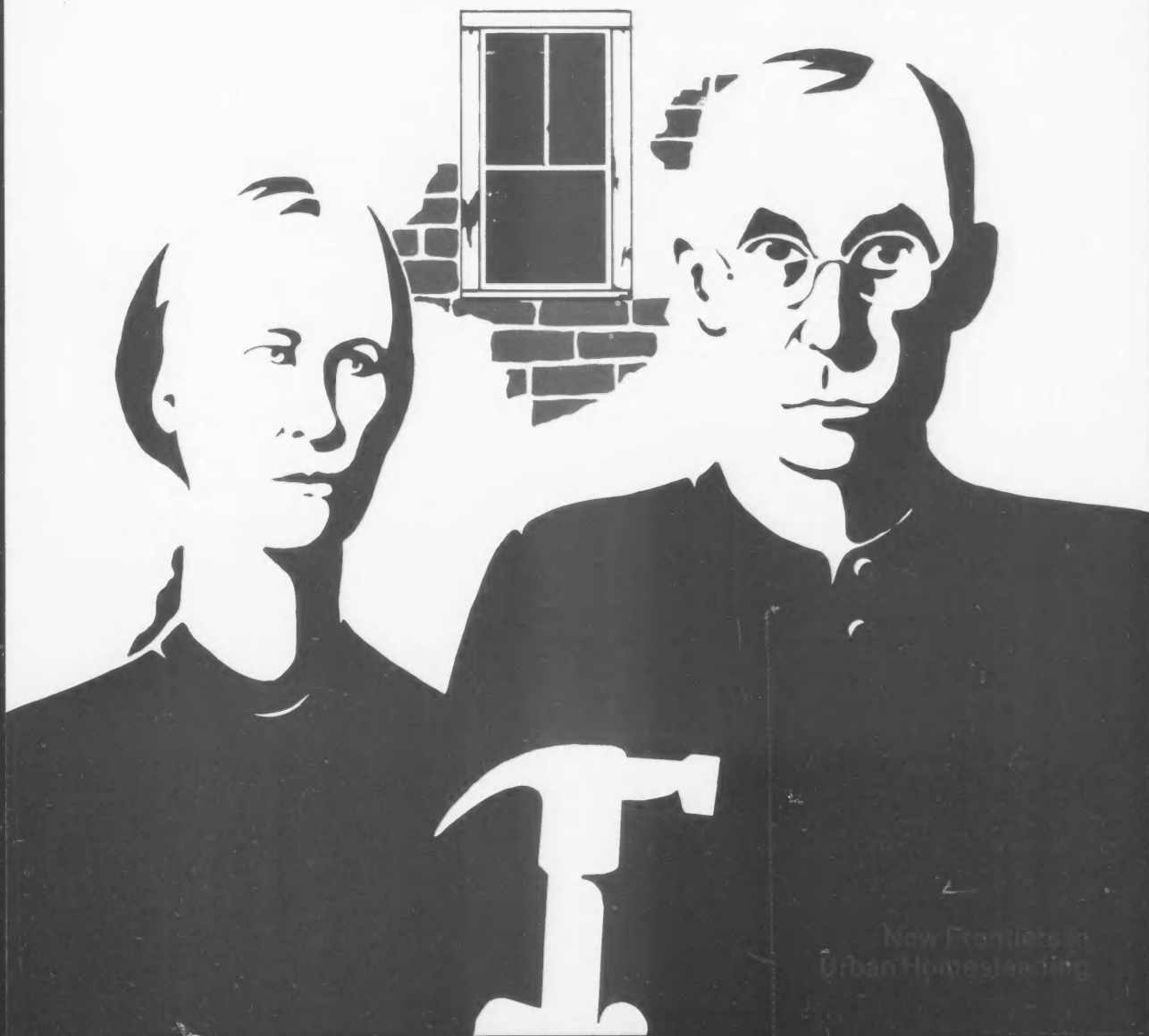




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Challenge!



New Frontiers in
Urban Homebuilding

Looking Ahead



Is the American Family Stabilizing?

According to population authorities at the Census Bureau, the next two decades look a little calmer than the recent past for the American family. In a special report published by the Census Bureau, a number of measures of population analyzed suggest that several aspects of the present situation are at least consistent with an outlook of less change ahead. Specifically, the report cites birth rates, school enrollment figures, and participation by women in the labor force to demonstrate current thinking about the future of the family. While the decline in birth rates during the past 20 years provided much momentum to a variety of other changes, the decline has gone about as far as it can reasonably go, and most population experts do not expect these rates will rise significantly in the next decade or two. The report notes that while there has been a recent big increase in the percentage of women in the labor force — from 38 percent in 1969 to 48 percent in 1977 — the odds don't favor a continued sharp upswing. But if conditions remain favorable, including a continuation of low birth rates and some further increase in the educational level of young people, the labor force participation rate for women could continue to increase moderately for some time. Copies of the report, *The Future of the American Family* (and) *Prospective Trends in the Size and Structure of the Elderly Population, Impact of Mortality Trends, and Some Implications*, P-23, No. 78, are available for \$1.30 from the Superintendent of Documents, Washington, D.C. 20402.

HUD Seeks Indian Input

HUD has announced that a planned new initiative to test ways of improving the design, quality, and production of housing for American Indians is being reevaluated to ensure that it reflects the views of the Indians themselves. A 3-year demonstration effort testing the effectiveness of using professional construction managers to improve the production time and the quality of Indian housing at lower per unit costs is being reassessed. Indian input will be solicited to improve the proposal or to devise an alternative method to achieve the same results as intended by the original proposal. The activity is formerly known as the Indian Housing Development and Construction Management Demonstration Program. Secretary Harris noted that the effectiveness of the effort will depend largely upon the active cooperation of the Indian community. "We expect to use this additional time to solicit specific comments and suggestions. The initiative lies with the Indian people themselves," she said.

National Historic Preservation Week

May 6-12, 1979, marks the observance of the seventh anniversary of National Historic Preservation Week. Cosponsored annually by the National Trust for Historic Preservation and by local organizations throughout the country, the purpose of National Historic Preservation Week is to provide a specific time in which to recognize outstanding preservation efforts, and to make more Americans aware of the historic preservation movement and its accomplishments — thereby gaining greater public support and involving more people.

Institute for Urban Design Created

Urban design will now receive heightened visibility with the creation of the Institute for Urban Design, a new nonprofit organization devoted to the advancement of urban design and to the improvement of American towns and cities. The purpose of the institute is to promote the quality of urban life as influenced by physical planning and construction. It will encourage communication among people involved in the interdisciplinary urban design process, including architects, planners, landscape architects, social scientists, government officials, private developers and citizens. The institute will conduct study tours and seminars, with the first tour scheduled for Paris, July 9-14. Headquartered at State University of New York, Purchase, the institute is under the direction of Ms. Ann Ferebee, former editor of *Urban Design* and adjunct associate professor at State University.

Residential Building Technology Innovations Program

HUD wants to encourage the development of new residential building technology to help reduce the increasing cost of housing. Accordingly, the Division of Energy, Office of Policy Development and Research, has announced the Residential Building Technology Innovations Program. The program requests applications for grant awards for promising new building products or subsystems which meet certain criteria. Cash grants of \$5,000 will be awarded to individuals or small companies submitting the best innovations in building technology. Ideas only are not acceptable. All submissions must be ready or nearly ready for the marketplace. Participants yield no rights to their product except the limited rights to publicize all innovations that meet the selection criteria and to use the product in a future demonstration project. Individuals, companies, colleges, or nonprofit organizations interested in participating in the program should call (202) 755-0640 to receive the Request for Grant Application Form.

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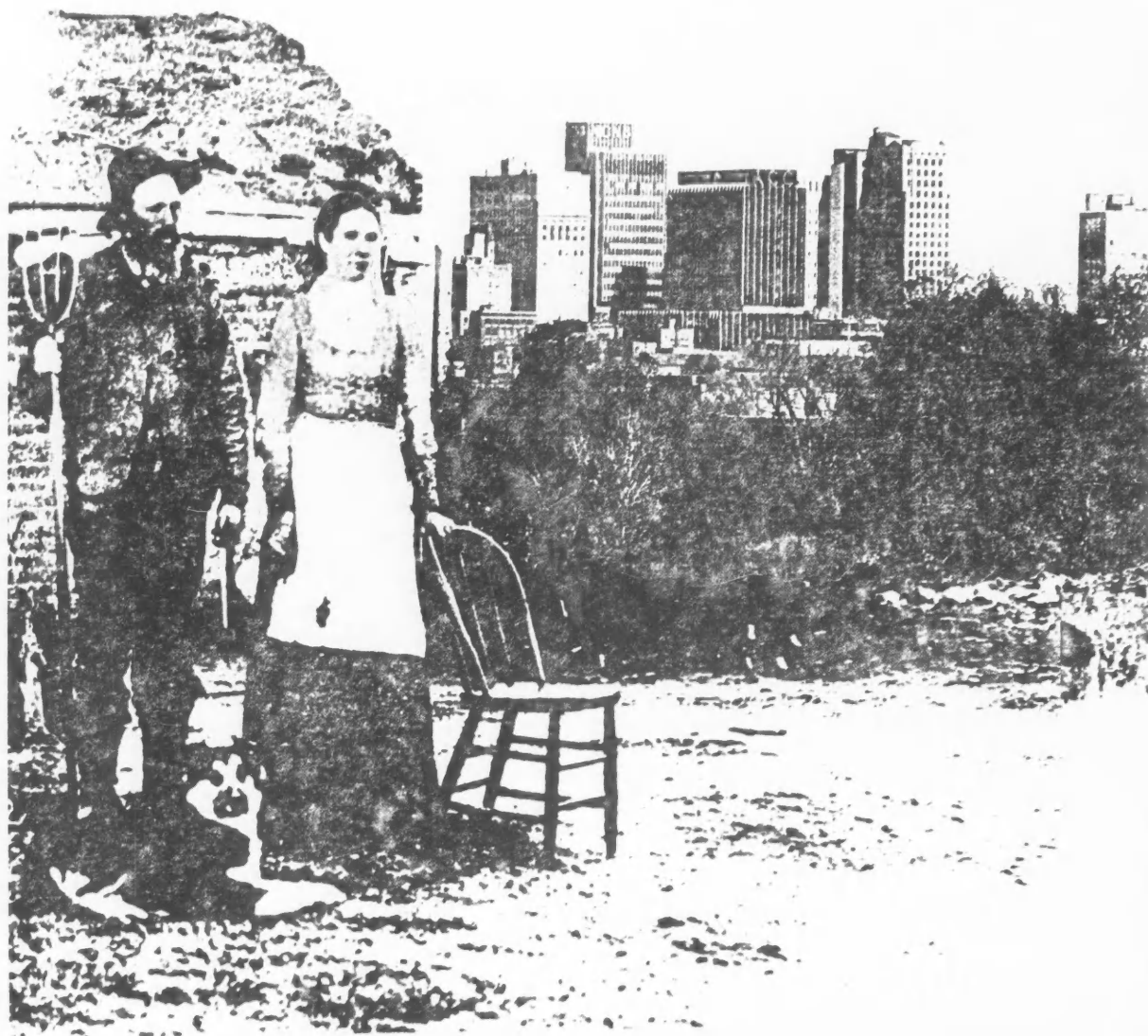
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Cover design by Sara Tweedie

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New Frontiers in Urban Homesteading

Ron Doyle and Hugh Allen

Because of its flexibility, its great potential and its appeal to America's pioneer heritage, urban homesteading has grown enormously, both in size and in scope. Cities across the Nation have taken the idea and adapted it to local needs and conditions. This issue of *Challenge!* describes some of homesteading's many variations. It also explores various techniques and resources local urban homesteading agencies use as part of their programs.

Increasingly, cities are using urban homesteading as a solution to such problems as displacement and abandonment. In East St. Louis, Illinois, the local homesteading agency gives priority in assigning homesteading properties to victims of displacement. Families pushed from their homes by urban renewal, highway construction and code enforcement procedures are provided with homestead properties that are rehabilitated by the city. New Haven, Connecticut also has a similar program. In addition, homesteading officials are presently discussing using homesteading as a solution to other forms of displacement such as public and private reinvestment and gentrification.

Abandonment is another area where homesteading plays a positive role. Housing abandonment is a relatively new phenomenon occurring primarily in the past three decades. Typically, the phrase refers to vacant, deteriorated properties that have been vandalized and whose owners have seemingly walked away from their investment.

Abandonment, however, is more than an empty house. It is a complex process of

social, political and economic forces that produced the population and housing changes which have taken place in metropolitan areas since the end of World War II: people migrating from rural to urban areas; central city housing obsolescence; suburban development; increased city taxes, declining municipal services, increased concentration of the poor, the unskilled and the aged in central cities; advances in transportation; communication and technology; changing needs of business and industry resulting in loss of employment and tax base to the suburbs; shortage of lower-income housing and racial discrimination in the housing market.

One of the main reasons for concern over abandoned housing is the devastating impact it has on individual neighborhoods. Abandoned structures act as a focus of neighborhood decay and constitute a physical and psychological hazard to neighborhood residents.

Abandoned buildings are invaded by rats and other vermin, create dangerous conditions for neighborhood children, attract undesirable persons, provide breeding places for crime and are places where numerous "urban fires" start. George Sternleib, Director of the Center for Urban Policy Research at Rutgers University says that "the abandoned structure is a disease core."

The solution to housing abandonment? There is no one answer. The complexity of the problem calls for a comprehensive effort to maintain and upgrade neighborhoods and foster housing maintenance. Urban homesteading, although not a complete answer, is one community development tool that will

help communities focus on how to live with abandonment and recycle these "wasting structures."

The program's objectives are threefold: (1) utilize existing housing stock; (2) upgrade neighborhood facilities and services which will encourage more public/private investment; and (3) provide homeownership opportunities.

The program concept is simple: HUD-owned, single-family homes are transferred at no cost to units of local government. These localities will carry out a homesteading program approved by HUD within designated neighborhoods which may also include locally owned, vacant properties. The localities then convey the houses, at nominal cost (usually \$1), to homesteaders who agree to rehabilitate them to local standards and occupy them for a minimum of three consecutive years. When the homesteaders meet these requirements, they receive full title to the property. The homesteaders are selected by each participating locality.

Within the designated homesteading neighborhoods, the localities provide improvements which include the upgrading of community services and facilities.

Mr. Allen is Acting Deputy Director for the Homesteading Division, Office of Urban Rehabilitation and Community Reinvestment, HUD Office of Community Planning and Development. Mr. Doyle is a working intern attending American University, Wash., D.C.

Multifamily Homesteading: New Hope for the Inner City

by Ron Doyle

Photographer, Ron Diamond

Colorful renditions of self-help homesteaders cover a wall in New York City.

Rising out of the devastation and decay of New York City's South Bronx is one of the most tangible signs of hope for America's troubled inner cities. Here, surrounded by gutted, burnt-out shells of buildings, 40 people have converted an abandoned six-story tenement into a building boasting freshly-painted hallways, 28 oak-floored apartments and solar heat collectors on the roof.

The sheer audacity of the project attracted widespread attention. Other citizens'

groups quickly understood the Bronx project's significance. They initiated similar projects in other areas of the city. Federal officials also realized the potential of the new concept. Early this year, HUD announced plans to aid other cities and citizens interested in the idea.

Multifamily sweat equity homesteading, as the process is known, resists any standardized description. Because citizens themselves design and develop homesteading plans, projects can take on a multitude of variations. Most, however, do have some elements in common. Basically, multifamily sweat-equity homesteading involves transferring publicly-held vacant apartment units to low- and moderate-income families in exchange for commitments to repair, occupy and maintain the property. Renovations are completed through varying combinations of subcontracting and sweat equity rehabilitation. Sweat equity is a process whereby homesteaders invest their own labor into the project as a form of downpayment. Upon completion, the buildings are usually converted to cooperatives or condominiums where maintenance and administrative tasks are shared communally.

Individuals who have taken part in homesteading are universally convinced of its benefits. Typical of these is Victor Mercet, a young resident of a homestead project on the South Bronx's Washington Avenue.

"Urban homesteading gave me a lot more than just an apartment," he said. "I received training in carpentry and plumbing. I also learned managerial skills."

Mercet took part in a State job training program while working on his building. In addition, he put in at least 10 hours a week of "sweat equity" labor.

"Homesteading opened new doors for me," said Mercet. "It gave me goals and showed me how to realize them."





The Washington Street multifamily homesteading property as it nears completion. The finished building will feature such amenities as skylights, solar heating and community meeting areas.

The project in the South Bronx is one of several sponsored by the Urban Homesteading Assistance Board (U-HAB), a technical assistance group. The U-HAB staff recently authored a report describing the multifamily homesteading experience in New York. Among its recommendations was a warning not to lose sight of the homesteaders' needs.

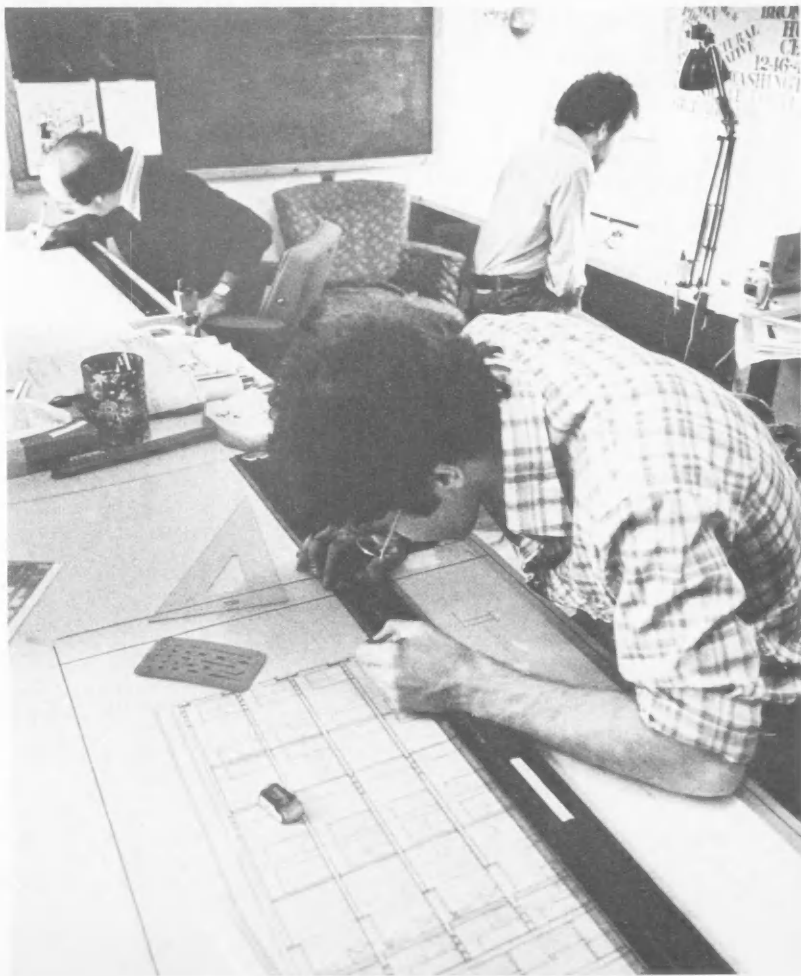
"From the point of view of the homesteader, the key concern is the economics of particular buildings," the report cautioned. "They must have assurances that their carrying charges will be within their ability to pay and that their sweat-equity contributions will be reimbursed over time by low monthly payments as well as a decent dwelling. . . . Experience has shown that the economic target of a homestead operation — the proverbial "bottom line" — is a monthly carrying charge that is not substantially greater than the pre-homestead rent level."

Homesteading programs try a variety of techniques to decrease carrying costs and reverse the adverse economic impact of abandonment.

U-HAB staff members, Peter Hanson and Charles Laven, outlined the structure of a multifamily homesteading program.

Partnership

Essentially, they explained, it consists of a partnership of Federal, State, local and private resources. Working together they





contribute grants, subsidies and much-needed expertise to neighborhood development groups. It is these neighborhood groups who then actually carry out the rehabilitation work.

The New York projects have a varied series of cost-reduction techniques: First, neighborhood groups begin by selecting a suitable building to rehabilitate from either HUD's inventory, city-foreclosed properties or through negotiations with private owners. The purchase price is usually a nominal \$1.00.

Secondly, all homestead groups receive professional services at lower costs than would normally be required. Volunteer architects and engineers in addition to professionals willing to reduce standard fee schedules have been used. Legal services are provided by community law offices, the Legal Aid Society and *pro bono* lawyers.

In the crucial area of financing, homesteading properties are eligible for several forms of funding. HUD's low-cost Section 312 rehabilitation loans are an important source of mortgage money. The Section 312 loans, repayable over 20 years at three percent interest, are supplemented by private and city financing. In addition, in New York, a consortium of seven banks has formed a fund to provide homestead loans.

The homestead projects also make use of the city's J-51 tax abatement program. It allows the homesteader to avoid higher property tax evaluations due to rehabilitation.

Labor is another area where multifamily homesteading makes use of innovative cost-cutting techniques. Homesteaders like Victor Mercet contribute their own "sweat" as "equity" on their apartment units. While they work, participating homesteaders learn valuable construction skills from professional instructors and are eligible, at the discretion of the city, for modest training wages under the Fed-

eral Comprehensive Employment and Training Act (CETA) program.

Other innovative cost-reducing techniques were pioneered by New York homesteaders. They made use of Community Services Administration grants to build solar energy converters. The New York State Criminal Justice Coordinating Council provided wages for some of the workers who had arrest records. Charitable foundations and churches also donated money and facilities.

Building upon the New York experience, HUD's Urban Homesteading Division has recently established a technical assistance program that will test the application of the concept in other cities. Its purpose is to provide information backup for cities and neighborhood groups interested in developing their own multifamily homesteading programs. Depending upon the needs and interest of those participating, HUD's technical assistance team will furnish advice in such areas as: rehabilitation, loan processing, sweat equity development, tenant self-management, general contracting, construction management, fund raising and neighborhood planning.

HUD officials caution that multifamily sweat equity homesteading is not a panacea for the ills that afflict our urban areas. Experience has shown that there are no easy solutions to the problems of inner cities. But, the mere existence of this self-help program amid the widespread decay, provides a symbol of hope for the victims of neglect and poverty.

Mr. Doyle works at HUD Headquarters as a participant in an intern program of American University, Wash., D.C.

From November 1975 to September 1977, HUD's urban homesteading program was essentially experimental. It was run as a demonstration program in order to test and evaluate the homesteading concept. In September of 1977 the program became operational.

Self-Help: Learning from the International Experience

by Hugh Allen

The concept of self-help housing construction, though relatively new in the United States, has existed for decades in developing nations. Many countries in Latin America, Africa and Asia, supported by international agencies and U.S. foreign aid programs, have adopted the idea. Basically, self-help housing is a process where individuals and families contribute their own labor to building their homes with technical and capital assistance provided by government and private institutions. In the U.S., self-help has emerged with the development of urban homesteading. Through the program, homesteaders receive title to deteriorated homes in exchange for commitments to rehabilitate and occupy the property.

The goals of both the Urban Homesteading Program and foreign self-help housing programs are similar: (1) reducing housing costs; (2) providing homeownership opportunities to needy segments of the community; and (3) improving and upgrading neighborhoods. In comparing the various elements of the two programs, however, differences emerge in techniques and procedures.

"Sweat Equity"

The use of one's own labor (sweat equity) to reduce housing cost is assumed to be an essential component of urban homesteading and self-help housing in developing countries. However, in the U.S., local circumstances and decisions often prevent the homesteader from performing major work on his house. Lack of construction skills, the requirements of building and

occupancy codes, administrative costs and official attitudes have combined to prohibit fuller utilization of self-help techniques.

An analysis of 23 cities which are being evaluated under HUD's Urban Homesteading Demonstration Program illustrates local approaches in deciding what part sweat equity plays in their programs. Cities can generally be placed into three categories indicating their strategy in using self-help:

- (1) Cities such as Jersey City, N.J., Islip, N.Y. and Decatur, Ga. have rehabilitation standards that are above local code requirements and must be completed as rapidly as possible, which limits self-help or prohibits it altogether.
- (2) Minneapolis, Minn. permits a moderate amount of self-help (participation in work planning, contractor selection and interior finish work) and generally requires rehabilitation work to be above local code standards.
- (3) Dallas, Texas and Indianapolis, Ind. encourage the use of self-help skills in rehabilitating homes to local code standards. Dallas also offers formal training sessions covering plumbing, electrical repairs, general carpentry and painting for homesteaders.

Physical self-help is generally discouraged by local authorities in many of these 23 cities: three cities prohibit self-help; six cities limit self-help to cosmetic items; twelve cities allow moderate self-help and two cities actively encourage self-help. There is, however, a good deal of personal involvement in the nonphysical aspects of rehabilitation by homesteaders. They participate in the choice of homes, in decisions of work to be done and in selecting and monitoring contractors.

Whereas the Urban Homesteading Program deals with existing structures, self-help projects in Latin America (Chile, Colombia, Costa Rica, Guatemala, Nicaragua and Panama) are built from



"scratch." Urban homesteading may require a considerable degree of skilled labor for electrical, plumbing and heating repairs. In contrast, self-help projects in developing countries, generally, involve more unskilled labor: digging trenches, pouring floors and building block foundation and walls. There is an increasing tendency, however, for greater use of skilled labor in developing countries.

Administration

In developing countries, most self-help programs are administered by a national agency with centralized powers and functions. The Urban Homesteading Program, on the other hand, is usually administered by a unit of local government which implements the program according to Federal guidelines.

Training the staff as well as the participants is emphasized in self-help programs of developing countries. A U.S. housing advisor to Panama reported: "The greatest difficulty in undertaking a self-help program is training the administering agency to direct a constant dependable and effective program."

The Urban Homesteading Program does not emphasize staff training because local programs, generally, do not encourage self-help.

The personnel of a self-help housing agency will likely include someone who administers the preconstruction phase of the program and the selection and orientation of participants, a construction foreman who trains and organizes the construction workers, and a group worker who deals with community relations problems while the project is underway. This staffing pattern is recommended by the United Nations.

In local homesteading programs, the staff includes rehabilitation and finance specialists and legal counsel from the staff. A program director may be involved in some or all of the staff functions. In both programs, administrative costs are absorbed by the government.

Designated Neighborhoods

The urban homesteading legislation (Section 810 of the Housing and Community Development Act of 1974, as amended) requires that local programs be linked to upgrading the services of community facilities. The local program agency must designate the boundaries of the homesteading neighborhood, which is influenced by the location of abandoned properties, resources that can be committed to the area for neighborhood im-

provements and the local government's goals for homesteading.

The self-help programs abroad have a similar approach in designating an area, although in most instances, new neighborhoods rather than existing neighborhoods are chosen. In Ghana, the Philippines and countries in Africa, vacant areas are prepared for self-help housing by providing the land with water and sewer lines, dividing the area into uniform lots and constructing some common-core facilities. Yet, some self-help projects resemble urban homesteading. They upgrade squatter settlements adjacent to or within the urban centers of developing countries.

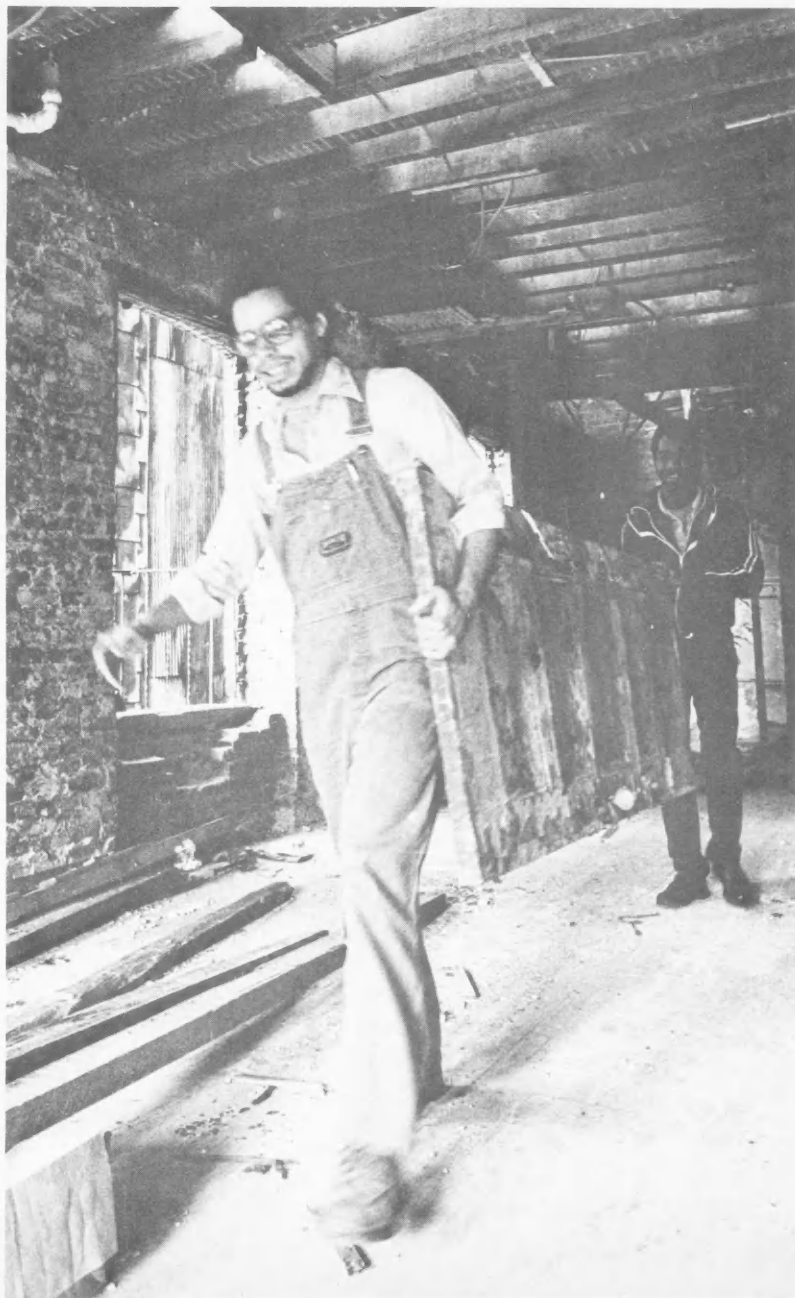
Selecting Homesteaders/Participants

The basic criteria for selecting the homesteader/participant are similar. Both programs give consideration to a person's need for housing and a demonstrated ability to repay loans for labor and/or materials.

In developing countries, self-help projects use questionnaires followed by interviews to determine eligible participants. As in urban homesteading, frequently a lottery is used to determine the final selection of participants. Newspapers, radio, television, handbills and posters are used to publicize the program to pertinent income groups. Sometimes public meetings in squatter settlements are also used. These publicity efforts are similar to techniques used in homesteading programs.

Technical Assistance

Technical assistance is more than simple advice and counsel. In developing countries, it includes preconstruction training and day-to-day training assistance in the building process. In Jamaica, an orientation meeting is held, followed by a series of eight meetings which are held off-site before construction begins. On-site,



assistants provide day-to-day guidance.

In the Urban Homesteading Program, technical assistance in training in construction skills is limited, if given at all. Of 23 cities surveyed, only one, Dallas, has a formal training program to teach homesteaders various skills in self-help.

Financing

Financing rehabilitation in urban homesteading programs differs from self-help projects in developing countries in that homesteading programs use a variety of funding sources: grants, special loan programs with private banks and savings and loan institutions, municipal or county loan programs and the low interest Federal Section 312 Rehabilitation Loan Program.

Self-help projects in developing countries are financed from one source, the sponsoring government agency. Such financing has generally been made possible by external loans from the World Bank or the U.S. Agency for International Development. In some projects in Africa, financing takes the form of credit in kind, such as drawdowns in the form of materials purchased by the sponsoring agency.

There is much to learn from examining the international experience in self-help housing. As the Urban Homesteading Program expands into a nationwide program, the self-help program projects provide valuable information. They serve as test models for technical assistance training and the application of self-help techniques to housing.

Mr. Allen is Acting Deputy Director for the Homesteading Division, Office of Urban Rehabilitation and Community Reinvestment, HUD Office of Community Planning and Development.

(Information on self-help programs in developing countries is based on a report by Harold Robbins for HUD's Office of International Affairs. This report will be published shortly. For more information call John Geraghty on (202) 755-5770.)



The East Baltimore Documentary Photography Project

Linda G. Rich, Joan C. Netherwood, and Elinor B. Cahn

Baltimore, Maryland has been called the "Cinderella city of the 1970's." It leads the Nation in reaffirming urban values, not just the cosmopolitan lifestyle of the affluent, but the diverse values of the total urban community.

Baltimore has become the acknowledged leader in redeveloping its existing housing stock through a responsive political structure and the active daily involvement of its citizens. The most outstanding sector in this resurgence has been Southeast Baltimore, nationally acclaimed as the model for ethnic neighborhood revitalization.

East Baltimore

The neighborhoods of East Baltimore are a microcosm of the American experience — made up of Poles, Ukrainians, Italians, Greeks, Czechs, and Germans who migrated to the United States in the nineteenth and twentieth centuries. The neighborhoods continue to be both residential and industrial. The people, through a variety of lifestyles, have preserved Old World culture and customs. They were devoutly religious, of modest means, limited formal education, trained to work hard, motivated by strong family ties and pride of ownership. An example of the trust that neighbors had for one another was the corner grocery store that extended credit to those in need. Realizing the integrity of the people, formal records were seldom kept.

The "I Am an American" Day Parade, September, 1978. The parade route is from Fells Point to Patterson Park.



Right: Back yards and porches of row houses in the 100 block of South Decker Street.

Left: Adam and Catherine Glowacki washing their windows, a chore that is performed monthly.



East Baltimore was not totally spared the decay that was experienced by most American cities after World War II. While many of the neighborhoods preserved their ethnic roots and sense of community, others were faced with increasing blight and declining populations. Many homes were vacated as older residents died and younger ones married and moved to the suburbs. What started as a slow deterioration of their neighborhoods grew rapidly into a major problem of absentee landlords, boarded-up, rat-infested houses, vandalism and declining corner businesses.

But unlike other urban neighborhoods, this decline was resisted, and remarkably, it has actually been reversed. This reversal happened because neighborhood residents realized they had to confront their problems and take control of both their lives and their communities.

Born-and-bred East Baltimoreans like Matilda Koval, Gloria Aull, and Betty Hyatt began actively working to save their neighborhoods. They sought out both the culprits of decline and the potential partners in reasserting control over their future. They — and literally thousands of people like them — took to the streets with

brooms and went after city officials with a vengeance. One day they formed a human barrier to truck traffic on their blocks. Soon afterwards they organized and are now directing multimillion dollar redevelopment corporations.

The result of such determination is a unique partnership of government, financial institutions, and neighbors to recreate livable communities. These partners have developed a nationally renowned homesteading program and an experimental home loan program for credit-risky tenants to become homeowners. Through the homesteading program, qualified persons have been able to purchase deteriorated buildings for one dollar upon promising that they would renovate and live in their "new" homes within 6 months. The experimental home loan program enabled longtime, economically disadvantaged renters to become an integral part of the revitalization process without being displaced.

Through both programs suburban-bound families have been encouraged to move back to the "neighborhoods" and have been aided by older neighborhoods in renovating their homes. Generations of neighborhood families and new urban dwellers have joined each other in rebuilding the cohesive sense of

community that originally created the neighborhoods of East Baltimore.

This revitalization is more than just a Cinderella fantasy story. It is real, and it has been our challenge to sensitively document it.

The East Baltimore Documentary Photography Project seeks to create a visual historical record of the evolution and revitalization of this community in the second half of the 1970's. The photographs document the strength and pride of the people of its neighborhoods, both through its past and its present.

The project is committed to understanding both the stable, historical, ethnic strengths, and the dynamic values of those returning to urban living. It documents a well-channelled, realistic model for revitalizing the Nation's neighborhoods.

Photographs copyrighted 1978. The East Baltimore Documentary Photography Project.

Photographs by Linda G. Rich, Joan C. Netherwood, Elinor B. Cahn



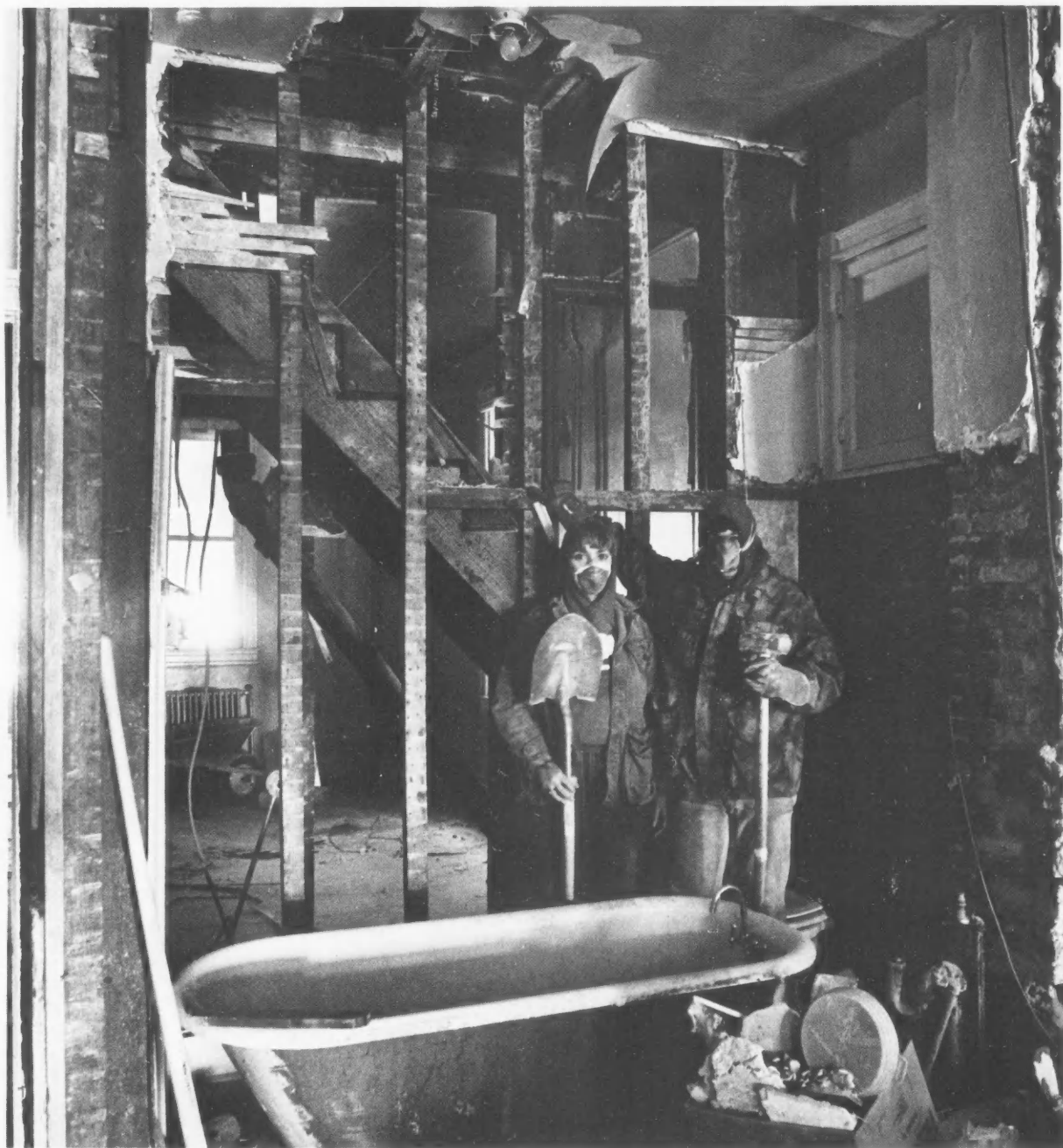
Mary and Michael Kuyawa raised five children in a two and one half bedroom row house. They take enormous pride in the maintenance of the alley behind their home.



*Fourth of July celebration in the unit block of North Curley Street.
The residents have decorated their alley for each of the past 25 years.*



Summer of 1978 – Children with sitter at public wading pool on O'Donnell St.



Bankers Call Homesteading 'Good Business'

by Ron Doyle

HUD Secretary Patricia Roberts Harris and Assistant Secretary Robert Embry have repeatedly emphasized the need for "leverage" in community development programs: using public funds to stimulate investment by the private sector.

Local urban homesteading programs have been quick to grasp the importance of encouraging private investment. In Boston, for example, Federal low-interest Section 312 rehabilitation loans are channeled into upgrading the most severely deteriorated properties. Once a neighborhood has its worst housing rehabilitated, the local homesteading organization helps other homesteaders arrange financing through banks and savings and loan associations.

Initially, some banking officials were hesitant to participate in urban homesteading financing. Although the concept of homesteading is fairly simple, it follows rather unorthodox financing procedures. Homesteading involves transferring publicly-owned property to individuals or families in exchange for commitments to repair, occupy and maintain the property. Homesteading loans, for this reason, may not fit naturally into either of the two major categories of private residential real estate lending: the home improvement loan or the conventional or insured mortgage loan. Both home improvement and mortgage lenders may be uncomfortable if the homesteader has little or no cash equity in the property. In addition, a lender may be reluctant to provide financing before the homesteader has clear title to the property.

Claude and Bonnie Ariesel working on their "new" residence, Butcher's Hill.



Housing workshop

Financing Urban Homesteading

As financial institutions become familiar with the concept of homesteading, they find the initial misgivings are rapidly overcome. Robert Alexander, of Eagle Savings and Loan Association in Cincinnati, points to homesteading as one of his most secure investments.

"We were the first financial institution in Cincinnati to make a homesteading loan," he recalled. "In terms of an investment risk, I don't think that they're (homesteading loans) more of a risk than anything else we do. We know that the city holds title to the property and that it's in the city's interest to help us rectify any problems. So, in a way, the urban homesteading loan is an even better investment risk because we have both the

borrower and the city having responsibility."

Other bankers readily concur as to the benefits of homesteading. Doyce Dingler of Republic National Bank in Dallas leads a consortium of seven local banks and savings and loan associations which provide rehabilitation financing to homesteaders.

"Properties are conveyed by HUD to the Dallas Housing Authority," he explained. "The city agency is responsible for selecting homesteaders who then approach us and apply for financing like any other conventional loan. Loans are made for terms of 10 years and are limited to the State mortgage ceiling of 10 percent. So far we have had no foreclosures."



To offer these private lenders additional security, the city uses Community Development funds to create a reserve to guarantee banks against losses on loans to homesteaders.

Other financial institutions have gone even further in their support of homesteading. Juan Villanueva, vice president of New York City's Chemical Bank, outlined the scope of Chemical's involvement with homesteading.

"We have a unit that was set up 4½ years ago to deal especially with low- and moderate-income housing. Our approach is not to sit back and wait for people to approach us with figures. We get involved in choosing possible sites, selecting architects. . . as well as financing. So, by the time we get to look at a project's figures, we've usually been involved from the start."

Villanueva is the lead banker in a consortium that helps finance multifamily homesteading projects in New York's South Bronx and in Lower Manhattan. The other participating banks are Morgan Guaranty, The Bowery, New York Bank for Savings and Bankers Trust. Together, they provide rehabilitation financing through the Urban Homesteading Assistance Board (U-HAB).

"We began working with U-HAB one year before the first project was started. We met with other banks and got volunteers to participate in the program," said Villanueva.

"Our homesteading loans have ranged from \$25,000 to \$3 million. So far, we have had no foreclosures. If problems arise, we try to work them out."

"But," he stressed, "we are not a social service organization. We tell the groups



we work with that we're there to be of assistance and to make money. The reason we take part in homesteading is that we have a stake in this town. It is in our interest to help neighborhoods. If the city dies, our branches die."

His major problem, he concluded, was time. "It takes a very long time from a bank's standpoint to educate people, to do

the legal and organizational work." He remains optimistic, however, that as the program develops and the concept is refined, these problems will iron themselves out.

"Talk to us in a year," he said.

Mr. Doyle is an intern working in HUD's Office of Community Planning and Development.

Cassandra Pelczynski with her niece and great-niece in her newly renovated kitchen. Cassandra, an art teacher with the Baltimore County School System, was the first buyer in Butcher's Hill. In the year and a half since she purchased her house all but one of the remaining Old Victorian row houses have been placed under renovation.

The Other Side of Tax Foreclosure

by Ron Doyle

The development of urban homesteading has brought about important changes in the way cities view foreclosure laws. Once seen as a means of protecting homeowners, city foreclosure limitations can now actually impede neighborhood revitalization.

Urban homesteading essentially involves transferring publicly-owned, abandoned properties to individuals in exchange for commitments to repair, maintain and occupy the building. Under HUD's program, homestead properties obtained when mortgages insured by the Federal Housing Administration are foreclosed can be transferred to local homesteading agencies. The program's central aim is to halt the housing abandonment crisis in America's inner cities. Vacant,

acquired through HUD. Many cities lack substantial amounts of federally-mortgaged buildings. Abandoned structures in these cities must be acquired through property tax delinquency procedures. Unfortunately, many localities have found that they must confront a complicated web of legal constrictions before properties can be acquired.

A recent HUD study examined acquisition procedures in 17 cities with urban homesteading programs. The primary



problems cities experience, the study found, involve "minimum time restrictions governing the foreclosure of delinquent properties." Often 2 or 3 years must elapse before actual foreclosure proceedings can begin. In addition, once the property is foreclosed and a bid of sale is conducted the owner is afforded a right to redeem the property.

These time restrictions, along with certain notice requirements, often cause a 4 to 6 year delay before a city holds unencumbered title to a property. Moreover, during this delay the property is often vandalized beyond any reasonable rehabilitation cost. For homesteading to be effective, rehabilitation costs must be kept within manageable levels.

To counteract these problems many States have begun amending their tax foreclosure procedures to provide cities with more expedient ways to foreclose and acquire tax delinquent properties for the specific purpose of homesteading. Notice requirements for owners of delinquent properties to appear in court have been relaxed, shifting more of the burden upon the owner. Time periods for foreclosing on properties have been reduced. In some cities, such changes have reduced the acquisition period from 5 years to 1 year.

The following passages from the report outline foreclosure procedures in three cities that are representative of this flexible, pragmatic approach

Baltimore

Article 81 of the Maryland Annotated Revenue and Taxes Code was amended to allow Baltimore the exclusive right to acquire tax delinquent property in the most expedient fashion possible. While all other territories are required to serve both personal and public notice upon tax delinquent property owners, Baltimore must give only public notice, the least burdensome to the city, prior to the sale of

delinquent property. Where counties must allow a 1-year redemption period after the sale of delinquent property, Baltimore need only allow a 6-month period before title converts to the purchaser of the property. Also, where the property is determined by the city to be in need of rehabilitation in order to comply with building code standards, the city must only allow 60 days for redemption. This process allows Baltimore to acquire tax delinquent properties that are not purchased in the bidding process before the property can be vandalized and deteriorate beyond the point of feasible rehabilitation.

New York

In 1973, the State of New York enacted an ordinance to give cities more authority in acquiring multifamily dwellings.

The law authorizes cities with populations exceeding one million to institute proceedings for a judgment vesting in the city title to a multiple dwelling which has been abandoned by the owner. Where rent is not collected for at least 3 consecutive months and the building is unhealthy or unsafe due to the owner's neglect, the building is deemed abandoned. Furthermore, where a building has received a vacate order, or the taxes on such premises have been due and remained unpaid for a period of at least 1 year, the building is deemed abandoned.

In addition, New York City has enacted its own ordinance, adding to this statute (Title D, Chapter 17, New York City Administrative Code) which pertains to all five boroughs: The Bronx, Brooklyn, Queens, Manhattan, and Staten Island. After a property is found to be abandoned, the City can acquire title in approximately 5 months under the City ordinance. This process has been challenged and upheld in the New York Court of Appeals. (*Somax Realty v. City of New York*)

The New York City, Office of Property Management, may then sell these acquired

properties to homesteaders for the nominal fee of \$100 per dwelling unit. They rehabilitate the property.

These buildings serve as the basis for the multifamily sweat equity homesteading movement in the City.

New Haven

New Haven has created an Urban Homesteading Program pursuant to Title 8 of the Connecticut Redevelopment Code. The statute stipulates that building officials shall notify the urban homesteading agency of all properties which are abandoned, together with a statement as to which properties are suitable for rehabilitation. "Abandoned property," it states, "shall mean any real property upon which there is a vacant structure and the owner has declared it to be abandoned, or on which there is a vacant structure and the owner has been given an order by the building official to demolish the building and the owner has failed to either demolish or rehabilitate the building within a certain time period." Upon receipt of the abandoned property list, owners of such properties must be served notice to appear at the homesteading agency. It is then determined whether the owner is willing and able to rehabilitate or demolish the delinquent structure within a reasonable time. In the event that an owner fails to appear at a hearing, or if the homesteading agency, after holding a hearing, determines that the property owner is not willing or able to demolish or rehabilitate the property, the homesteading agency may recommend to city council that the agency be authorized to take possession of the property. The owner is then reimbursed according to fair market value, as determined by the urban homesteading agency.

Mr. Doyle, an American University intern, is assigned to HUD's Office of Community Planning and Development.



Shopsteading: Local Merchants Invest in the City

by Ron Doyle

Hortense Amernick and her husband Leon own a thriving real estate appraisal firm in central Baltimore. Business, in fact, has been so good that early last year they began looking for larger offices. Rather than relocating in costly conventional office space, the Americks became the first participants in Baltimore's innovative "shopsteading" program.

Shopsteading involves transferring publicly-owned abandoned commercial property to individuals for commitments to repair, occupy and maintain the property.

Early this summer, the Americks will move from their cramped quarters to a

newly-renovated building in East Baltimore. Previously abandoned and severely deteriorated, the building was given to them for the nominal sum of \$100. When renovations are completed, the Americks will have, in addition to new offices, two ground-floor shops that they plan to lease out to tenants.

"I'm a downtown person," explained Mrs. Amernick, "and I've wanted to stay downtown. East Baltimore is an historic area of the city. It's been rundown for a while — this is where the riots were in the sixties — but I'm hopeful that with the shopsteading program, the whole area can be revitalized."

Next door to the Americks, another shopsteader, an engineer, plans to build offices. Other shopsteader holdings in the area include a pastry shop and a restaurant. Bob Bull, who manages a unisex hair salon, is another enthusiastic participant in the program.

"For \$60,000 (the cost of renovations) I got a shop on the ground floor and two virtually new two-bedroom apartments with fully-equipped kitchens. I'll move into one apartment and rent out the other one.

"What makes the program so great is that the investment properties are concentrated in a few designated neighborhoods. They're grouped together so that the whole area is uplifted. It wouldn't do any good if they were scattered."

Overall Strategy for Revitalization

Baltimore shopsteading coordinator Kathleen Deasy elaborated on the aims of the program, describing how shopsteading is used as part of an overall strategy to revitalize decaying neighborhoods. For example, she noted, a child care center and green spaces are planned for the East Baltimore shopsteading area.

Four criteria must be adhered to by businesses applying for shopstead properties: They must be financially capable of assuming the rehabilitation costs; they must comply with the exterior design of the neighborhood and make necessary building code improvements; in addition, the type of business must be approved for the area.

"We don't want another shoe store to come into a neighborhood that already has two," said Deasy.

Financing for the program is arranged by the city Department of Housing and Community Development. Its commercial revitalization assistance package includes municipal commercial property loans as well as Federal Small Business Administration (SBA) financing through three direct loan and loan subsidy programs.

Although the concept of applying urban homesteading techniques to commercial structures is a relatively new one, other cities have quickly become intrigued by the idea.

Jersey City is in the process of designing a similar program called "retailsteading" for a decaying five-block section of its Martin Luther King Avenue. Joseph Hnatt, the program's coordinator, has had to cope with the area's severe economic problems.

"We first started with HUD's low-cost Section 312 loans and SBA financing but our problem has been finding strong tenants. The Section 312 loans are restricted to building repair costs; they don't finance fixtures and stock."

Hnatt plans to press for further municipal aid for potential homesteaders. He is confident that the abandoned shops can be

renovated and restored to commercial use.

Who Shopsteads

In Baltimore, shopsteaders have tended to be established merchants and business people. Leander Calhoun, owner of a contracting firm, and a shopsteader himself, described some of the program's financial incentives.

"Shopsteading costs are at least 20 percent lower than buying an existing building. You don't have to deal with the constantly rising price of land," he said.

Most shopsteaders have a contractor to do the major work. They then complete minor work themselves. Calhoun outlined some of the problems involved in rehabilitation.

"Renovating an existing building is different from working on a new building because there are so many unknowns. You may have to move a whole wall or a floor. Basically, it consists of putting in new windows and partitions."

Hortense Amernick concluded by summing up her experience and expectations for the future.

"We had a contractor do the whole job," she said. "He helped us tremendously. Now, we have to find tenants with enough foresight to see what potential this area has."

Clearly, foresight is the keyword in any type of homesteading. The ability to visualize the potential of a barren environment is as important today as it was for the homesteading pioneers of the nineteenth century.

Mr. Doyle is working at HUD on an internship with American University, Wash., D.C.

Urban Policy Update

by Toby Radasky

One of the key elements of President Jimmy Carter's Urban Policy is the emphasis on streamlining Federal programs and encouraging the joint use of Federal resources to help solve urban problems. Successes in achieving this goal were highlighted in a recent report issued by the White House to mark the first anniversary (one year) of the President's Urban Policy.

Entitled "Urban Action," the report focuses on ways in which various cities have benefited from Urban Policy programs and objectives. San Antonio, Texas, for instance, is highlighted in the description of HUD's Urban Development Action Grant (UDAG) program.

Investing in Distress

In San Antonio, UDAG funds will be used to cut the high cost of development along the City's riverfront and to spur significant new commercial development in the downtown area. A major partner in this new development activity is the Mexican American Unity Council, a community development corporation concerned with meeting the social and economic needs of San Antonio's citizens.

Juan Patlan, Executive Director of the Unity Council, sees the downtown project as "... the beginning of a new partnership between a community development group and the business community." City officials, meanwhile, see the UDAG "shot in the arm" as having provided a catalyst for new economic activity. "It's already made a difference, and we

haven't even started building yet. Businesses are investing all over town," they report.

The success of the San Antonio project is typical of the Action Grant program. Since its inception, UDAG has triggered renewed interest and investment in our Nation's commercial, industrial, and residential areas.

A CEDS Success

In relaying the successes of the Commerce Department's Comprehensive Economic Development Strategies (CEDS) program, the White House report describes the experience of Long Beach, California.

For some time, Long Beach had been unable to pull together a comprehensive economic development plan that was tailored to its specific problems and opportunities. By working with Commerce officials and the CEDS program, the City was able to devise a comprehensive investment strategy and development plan that brought together all levels of government, the private sector and local citizens. Federal funds to the City increased, and economic planning became a reality as projects got underway. In Long Beach, California, President Carter's Urban Policy has made a difference.

CETA Works in Portland

The Urban Policy initiatives pertaining to the Comprehensive Employment and Training Act (CETA) program focus heavily upon private sector involvement. In Portland, Oregon, the White House reports, CETA and the private sector have successfully formed a firm alliance.

Mayor Neil Goldschmidt says that the City already has three "first source agreements" worked out with private industry, and others are in the making. A "first source agreement" commits a firm to giving CETA-trained workers first

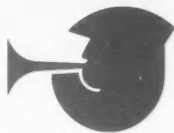
crack at a certain number of the new jobs that are created. As Mayor Goldschmidt explains, thanks to the new Federal thrust, "there'll be no more training for dead-end jobs — a big complaint about early CETA positions — and no big concentration on public jobs."

Urban Policy in Action

The message in the White House report is clear. After one year in action, President Carter's Urban Policy is working — and continues to work — for communities throughout the country. Successful partnerships have been forged between the public and private sectors, neighborhood groups and labor in order to improve conditions for cities and their residents.

Mr. Radasky is with the Urban Policy Staff, HUD Office of Community Planning and Development.

Forum



"We want to minimize or eliminate displacement of existing residents when inner-city neighborhoods are revitalized with public or private funds. . . . and we also want to assist low- and moderate-income people who choose to relocate outside of the city."

HUD Secretary Patricia Roberts Harris announcing the focus of the Innovative Grant program for fiscal year 1979, Jan. 24, 1979

"The FNMA (Federal National Mortgage Association) loan participation program reinforces urban policy initiatives aimed at building public-private urban revitalization partnerships. It reflects the need to improve the housing choices and neighborhoods of city residents. . . . It acknowledges the strategic role adequate housing and decent neighborhoods play in stimulating economic development in our cities."

HUD Secretary Patricia Roberts Harris commenting on FNMA's new Urban Loan Program, Feb. 6, 1979

"The inflationary psychology is becoming pervasive in many housing markets and people are looking to the purchase of a home as a highly leveraged investment. No doubt about it, a home is a good investment today, but I worry about some families reaching out, way beyond their means, to buy a home — more in the spirit of speculation than in terms of obtaining shelter. And I worry more about markets that begin to be dominated by the speculator. This kind of activity generates a psychology of hoping that inflation will continue. . . . There are limits on what HUD can do in these areas, but we have taken a number of steps to improve efficiency within the Department. We are working with local officials to encourage more productive policies and standards. We have contracted for a nationwide study of building codes and are contracting for a cost benefit study on the effects of cyclicity."

HUD Under Secretary Jay Janis in remarks before the Legislative Conference of the National Savings and Loans League, March 13, 1979.

"We expect the program to lead to several tangible results. . . . including standards and technology which could be incorporated into a model plumbing code based in part on HUD recommendations, and a household handbook on water use and conservation. Eventually we will conduct demonstrations using water efficient household systems in single-family houses, multifamily buildings and urban/residential communities."

HUD Assistant Secretary for Policy Development and Research Donna E. Shalala, commenting on HUD's water conservation research project designed to reduce the use of water in the home, Feb. 5, 1979

"The basic objective of the President's anti-inflation program is to lower the inflation rate over the next few years to a tolerable level without forcing the economy into a recession. This administration is philosophically opposed to a recession because we realize that yesterday's methods don't work for today's economic problems."

Lawrence B. Simons, Federal Housing Commissioner and Assistant Secretary for Housing, in comments before the National Association of Home Manufacturers, March 5, 1979.

"We are going to do more to promote consistency of building code requirements and procedures and have asked the National Institute of Building Sciences, the model codes organizations and several prominent trade associations to assist us in accomplishing this goal. . . . During the next year or so, HUD will notify States and localities that they may spend some of the funds they receive through planning grants, urban development action grants and other Federal funds to pay for their administrative costs in considering and adopting such revised codes."

William J. White, General Manager of HUD's New Community Development Corporation, speaking before a meeting of the National Council of the Housing Industry, Wash., D.C., March 5, 1979. Mr. White served as chairman of HUD's Task Force on Housing Costs.

"I wish to reemphasize positive approaches available to block grant applicants and to dispel any possible notion that HUD policy restricts or discourages preservation efforts. . . . We must overcome any lingering notion that HUD is concerned only with new construction or endorses mindless disregard of historic values and a bulldozer approach to community improvement. Historic preservation. . . . may be an imaginative means by which older structures become desirable housing and renewed cornerstones of neighborhood character and stability."

Robert C. Embry, Jr., HUD Assistant Secretary for Community Planning and Development, in a memorandum to HUD Regional Administrators, November 6, 1978.

'Selling Houses for One Dollar – in Columbus, Ohio'

by Carl Klein

One of the original 23 demonstration cities, Columbus, Ohio, exemplifies successful application of the Urban Homesteading Program in residential revitalization.

Selling houses for one dollar is its slogan, but it is not a giveaway. Urban Homesteading is an innovative approach toward the rejuvenation of older houses and neighborhoods in America's cities. In the four years since its inception in mid-1975, Urban Homesteading has become an outstanding example of the effectiveness of government and private cooperation. In Columbus, Ohio, one of the 23 cities originally chosen for the program, this partnership uses a combination of private effort and public improvements in eight urban homestead target areas to achieve significant results. According to Dave Fekete, Urban Homestead Coordinator in the HUD Area Office in Columbus, "The City of Columbus has a very effective Urban Homesteading Program which provides for a coordinated approach toward neighborhood improvement, involving the homesteading of both HUD-held and local properties."

The Urban Homesteading Program in Columbus is administered through the Community Development Division of the Department of Development. Kenneth L. Angel, Columbus' homesteading coordinator, described the evolution of the program. Initially, homes were obtained through HUD's Property Release Option Program (PROP). Federally guaranteed loans on these houses had been foreclosed but their condition or location made them too unattractive to sell on the open mar-

ket. In addition, because the homes were scattered throughout Columbus, the impact on individual neighborhoods was limited. Recalling this phase of the program, Angel said, "You can't just rehab a house in the middle of nowhere and think you're changing the complexion of the whole neighborhood." However, better things were to come.

Demonstration Program

The advent of the Urban Homesteading Demonstration Program provided the City with the ability to implement an effective revitalization program. Instead of relying on PROP homes, Columbus could purchase any HUD property in the designated target areas on the open market. In addition, the City could accept homes donated by private owners. Under these new procedures the City selected three older areas in which to concentrate the homesteading effort in order to create a "ripple effect," a chain reaction touched off by homesteading and fueled by public improvements and low-interest rehabilitation loans to nonhomesteaders in the Community Development target areas. The results are hard to measure, but one homesteader, Charles Larry, has definite and positive views on the "ripple effect" of his homesteading effort. "The effect in the neighborhood was a snowball. They saw me painting, and they decided to paint too." Larry is now living in his rehabilitated home at 705 Oakwood, and is justifiably proud of his own home and its effect on the neighborhood.

Such pride is the result of a pioneering spirit reminiscent of nineteenth century America. This new generation of homesteaders is not involved in a giveaway program. They earn their pride by doing as much of the rehabilitation as they can on their own.

Criteria for Eligibility

The ground rules for the program are simple: To qualify for the program, the

potential homesteader must: 1) show proof of having financial or technical skills to rehabilitate a homestead; 2) bring the homestead to habitable standards under the Columbus housing codes within six months of conveyance of the homestead; 3) bring the homestead to full housing code standards within 18 months; and 4) live in the homestead and maintain it under housing code standards for at least four years. There are no income restrictions, but the cost of rehabilitation, maintenance, utilities and insurance must be less than twenty-five percent of the homesteader's income. In the Columbus program so far, the average homesteader's income is just under \$12,000. A prospective homesteader must be over 18, but there is no upper age limit. The youngest homesteader in Columbus is 20 and the oldest began his project at the age of 78. The average age is 34.

Once an individual is qualified, he receives a list of houses that are to be sold. The homesteader must inspect the house or houses of his choice before entering his name in the lottery. A lottery system is required because of the widespread interest in the opportunities available through the Urban Homestead Program. In one case, the interest was so intense that 175 people were competing for the same house.

The lotteries are held in City Council chambers and are naturally accompanied by a great deal of tension. There are rewards for this tension, though. As Larry recalled, "When my name was drawn I really felt terrific." So far Columbus has held ten phases of this lottery system and phase XI is currently in process. One hundred and sixty-six homes have been awarded, 110 are being occupied and 46 of the homestead projects have been completed. In spite of the difficulties of the actual rehabilitation process, only one homesteader has given up on a homestead and that was caused by a separation in the family.

The occupancy and completion rates in the Columbus program are all the more impressive in the face of the arduous rehabilitation tasks involved in homesteading. The houses awarded in the lotteries are all structurally sound, but the extent of deterioration varies considerably. In some cases almost all the interior had to be redone. In other cases, the homesteader faced only minor damage. Catherine Elkins' rehabilitation effort involved rebuilding a water-damaged kitchen in her homestead at 878 Gilbert. The results of her efforts were well-rewarded and she feels that she got "a great bargain. It's just incredible, when you consider how expensive houses are." Some homesteaders have done almost all the work themselves, while others have relied on contractors for the major repair work. Whichever route of rehabilitation chosen, most homesteaders find themselves in agreement with Miss Elkins in enjoying the benefits of their cooperation in the Urban Homesteading Program.

One measure of the success of the program is its growth from the original demonstration projects in 23 cities. In November of 1977, representatives of the Columbus Homesteading Program attended the Second Annual Urban Homestead Conference which, according to Ken Angel, provided an opportunity for the representatives of the 16 new demonstration cities, who were just beginning to implement their programs, to meet with officials from the 23 original demonstration cities.

The real benefit of homesteading, though, should be measured in human terms—in the revitalization of deteriorating neighborhoods and the personal pride that accompanies the homesteading effort. As a case in point, consider Columbus' oldest urban pioneer, William McDonald. McDonald started his homestead effort when he was 78. He had to have most of the rehabilitation done by contractors, but was able to finish his homestead last year.

Thinking back on the experience, McDonald said, "Just ask my wife. She's tickled too."

Mr. Klein is Public Information Officer, Columbus Department of Development. For further information, call Pam Johnston or Carl Klein at 614-222-7763. Photos courtesy Columbus Department of Development.

Homesteading: Three Years Later

by Merrill M. Ash

Ray and Harriet Maines of Tacoma, Washington, share their experience as participants in the Homestead Demonstration Program in Tacoma, Washington.

After the first thrill of acquisition has faded, and the hard work of rehabilitation is over, is urban homesteading worth the effort? Is it something worth recommending for others?

"Absolutely," say Ray and Harriet Maines of Tacoma, Washington. "It's the best deal that's ever come along for us. As we look back, we know we enjoyed the work and now we thoroughly enjoy the home it has brought us."

What was it like when they first saw their present home? A single-story, three-bedroom rambler, it had been badly treated. Vandals had smashed holes in the walls and broken all the windows. Filth had been strewn throughout the home and someone had held a barbecue, using the fireplace with the damper closed. Of three homestead houses on the same street it was by far the worst in appearance. Although only 7 years old at the time, it had aged rapidly during the 2 years it had



Before



After

been vacant and subject to heartless and indiscriminate neglect. In spite of all that, however, it was the Maineses' first choice.

The house had at least two important things going for it, the ambition and the imagination of Ray and Harriet Maines.

Ray recognized its worth beneath its cosmetic failings. He could see that it was structurally sound and had excellent possibilities worth developing. The plumbing was in good condition and it had a good, usable, although small, fireplace.

Further, Ray said, they were lucky in that they didn't run into any great surprises after their rehabilitation began.

The Maineses first heard of urban homesteading when HUD announced the first 39 cities for the program in early 1976.

The idea of being able to buy a home, in whatever condition, for a mere token fee seemed almost too good to be true. The requirement that the home be rehabilitated up to local standards and owner-occupied for 3 years failed to daunt them in the least. When Tacoma entered the program Ray and Harriet Maines immediately decided it might be an answer to their needs.

Home Found

In spite of dire warnings that they just didn't know what they were getting into, they began a diligent search for a suitable house. They found one that appealed to them and were lucky enough to win the drawing in May of 1976. They completed the repairs and moved in on December 8 of the same year. Contracting for the window repairs and electrical work, as well as some carpentry and for carpet installation, plus the necessary materials, cost just \$4,400 in 1976. At that, it was one of the most expensive homes in the program to bring up to standard. "That's dirt cheap," said Maines, "when the

result is an attractive, livable home for free."

Maines is a Tacoma transit driver who says he had never worked on a house to this extent before. "I have a lot more experience now than I did when this started, but I enjoyed learning and doing the work," he said.

Still to be completed is the landscaping. That is planned for this summer.

Goals Set

What's ahead for the Maineses and their two children? Eventually, another home, a larger one, this one built from the ground up to their carefully spelled out specifications. A reminder, a daily stimulus to their imaginations, is a three-dimensional scale model of that home sitting on a table in a bedroom. Their next home will incorporate every practical energy-conserving system applicable when it eventually takes shape. The Maineses also hope to take advantage of whatever solar-heating equipment proves to be cost-effective at the time.

The Maineses have vision but they could hardly be called "visionary" in any derogatory sense. The urban homesteading program has done for them what it was intended to do when it was created. It has given them a big hand up and demonstrated the power of imagination and "sweat-equity" — how a little help can be turned into a big boost, with the proper application and determination. By definition, urban homesteading is a long way from the time when "homesteading" meant living off the land, and building with the aid of an axe, a saw and a stand of trees. But, the results aren't all that different, given present day lifestyles.

Program Popular in Tacoma

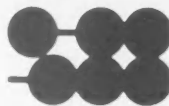
Tacoma was one of the first cities in the Nation given the opportunity to take full advantage of HUD's modern-day version of homesteading. The plan was greeted with enthusiasm, with far more people

applying than there were homes available. In an effort to distribute the homes fairly, it was decided that eligible applicants should take their chances in a lottery. The Maineses were doubly fortunate in that their name was first to be drawn and they were matched with their first-choice house. Of the 17 houses in that first Tacoma homestead program, there have been no failures, and the Tacoma Community Development Department and the Tacoma Housing Authority report no failures in the program since. In 1978 there were 260 applicants for 12 houses, bringing the total homes in the program to 53 and applicants to 870 in the 3 years homesteading has been authorized for the city. As of this writing, HUD has indicated Tacoma's record is good enough to warrant another year of the program, but the number of homes allocated for 1979 has not been determined.

When urban homesteading was first proposed for Tacoma, it immediately stimulated the imagination of city government and then Mayor Gordon N. Johnston (now Deputy Regional Administrator, Region X, HUD). The proposal was duly presented to the community and, contrary to experience in some cities, was accepted enthusiastically. Endorsed by labor as a means of providing housing to ambitious young couples, discussed, described and thoroughly exposed by local media, the idea proved to have such positive emotional and practical appeal that it aroused no opposition. The only serious problem was the one of fairly assigning the few houses to the large number of applicants. The lottery system devised has taken care of that hurdle, a lottery costing nothing to enter and offering a lifetime reward.

Mr. Ash is Public Affairs Officer, Region X, HUD (Seattle).

Lines & Numbers



Housing Production and Sales in 1978

The year 1978 was an outstanding year for the U.S. housing market. The 2,018,000 privately owned housing units started represented the fourth best production year ever recorded. During the 3-year period, 1971-1973, over 2 million new units were started each year with the alltime record of 2,357,000 starts set in 1972.

A comparison of 1978 to 1972 reveals the changing U.S. production mix. Single unit starts were actually higher in 1978, 1.4 to 1.3 million, accounting for 71 percent of total private starts compared to 56 percent in 1972. Geographically, the South and West were dominant, with the Northeast continuing to lag with only 10 percent of the national market. The South's share was 41 percent of total starts in 1978 compared to 43 percent in 1972.

The estimated total of 1,865,000 new privately owned housing units completed in 1978 was exceeded only by the 2 million units completed in both 1972 and 1973.

Sales of new homes during 1978 remained at about the same level as in the previous year. While over 800,000 new homes were sold in 1977 and in 1978, existing home sales topped the 3.5 million mark during both years. Sales in the Northeast and North Central regions were depressed in 1978 while more new houses were sold in the South and West during 1978 than in any year since the collection of sales information began in 1963.

The median sales price of new homes sold in 1978 was \$55,600, up 14 percent from the 1977 average of \$48,800.

New Privately Owned Housing Units Started: 1978 and Selected Years (Units in Thousands)

Year	Total Private	One Unit	2-4 Units	5 Units or More	Northeast	North Central	South	West
1971	2,052.2	1,151.0	120.3	780.9	263.8	434.1	868.7	485.6
1972	2,356.6	1,309.2	141.2	906.2	329.5	442.8	1,057.0	527.4
1973	2,045.3	1,132.0	118.3	795.0	277.3	439.7	899.4	428.8
1978	2,018.5	1,432.7	125.6	460.2	200.0	449.5	824.1	544.9

New Privately Owned Units Completed: 1978 and Selected Years (Units in Thousands)

Year	Total Private	One Unit	2-4 Units	5 Units or More	Northeast	North Central	South	West
1971	1,706.1	1,014.0	106.1	586.1	225.8	348.1	727.0	405.2
1972	2,003.9	1,160.2	118.9	724.7	281.1	411.8	848.5	462.4
1973	2,100.5	1,197.2	123.5	779.8	294.0	441.7	906.3	458.6
1978	1,865.6	1,366.3	116.3	383.0	182.4	415.2	749.5	518.4

New Houses Sold, and for Sale End of Year: 1978 and Selected Years (Units in Thousands)

Year	Sold During Year	For Sale End of Year	Sold by Region			
			Northeast	North Central	South	West
1973	634	422	95	120	257	161
1976	646	358	72	128	247	199
1977	819	408	86	162	317	255
1978	817	423	77	145	331	264

Median Sales Prices: 1978 and Selected Years

Year	United States	Northeast	North Central	South	West
1971	\$25,200	\$30,600	\$27,200	\$22,500	\$25,500
1972	27,600	31,400	29,300	25,800	27,500
1973	32,500	37,100	32,900	30,900	32,400
1977	48,800	51,600	51,500	44,100	53,500
1978	55,600	58,000	59,100	50,200	61,300

Source: Bureau of the Census, U.S. Department of Commerce and U.S. Department of Housing and Urban Development

Prepared by Robert E. Ryan
Office of Organization and Management Information

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